A Transaction Cost Analysis of Scheduled international Air Transport of Passengers

Ravoo, M.

Citation for published version (APA):
Universiteit van Amsterdam

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: http://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.

Download date: 06 Dec 2018
Epilogue

Since the close of this research in January 2000, various developments have taken place in the air transport industry that may have some bearing on what has been examined. This epilogue addresses a number of these developments.

At the industry level, KLM’s financial position has deteriorated as the airline has found itself confronted with high kerosene prices and overcapacity on intercontinental routes. The year 2000 began with the announcement of a major internal reorganisation. In May 2000, KLM decided to terminate its alliance agreement with Alitalia. Despite discussions on the position of Milan’s airports, the legal situation surrounding traffic shares remained unclear. Furthermore, the agreement between the two airlines stated that Alitalia would be privatised no later than 30 June 2000. Yet, the Italian government had indicated that such a scenario would not be attainable. KLM’s initially strong position as a partner in a far-reaching agreement with another European carrier thus took a turn for the worse. As a carrier with a small home market, but with great ambitions, the company still needs a European partner to guarantee its long-term survival. KLM started negotiation with British Airways. The latter airline seems to have shifted its focus away from its OneWorld partner American Airlines due to the difficulties surrounding the alliance negotiations resulting from a link with the UK-US Open Skies agreement and a number of anti-trust issues. The current negotiations between KLM and BA are the third such discussions since the early 1990s. Once again, issues concerning international route rights, anti-trust, nationality requirements and the position of the home airports are creating stumbling blocks. At this stage, it is not certain whether these negotiations will lead to an agreement. The initial period of exclusive talks elapsed in July but was extended in August by a period of several weeks. What has transpired so far is that, in the current setting, the status of flag carrier is becoming less important. KLM needs a partner and, given its financial position, is prepared to accept a minority share in an alliance with BA.

Any such alliance would need the approval of various competition authorities, in particular, the European Commission and the US Federal Trade Commission. Both institutions may tie their approval to strict conditions, such as those governing US carrier access to Heathrow airport. The Commission, for its part, may sense an opportunity to increase its mandate to negotiate air services agreements with the United States. The United Kingdom’s CAA has already given the Commission some support in a recommendation to the UK government.

As was the case with Alitalia, one important aspect in an alliance with BA is the position of the airports involved. Schiphol airport’s growth potential will be an asset to KLM, especially considering the constraints facing BA at its London home airport. The Dutch Minister of Transport has sent a letter to the Dutch parliament, as a follow-up to the December 1999 decision, laying out the industry’s ability to grow at Schiphol and describing how future relations with the air transport industry will be managed. Notwithstanding the state’s wish to overhaul its relationship with the industry, the letter mentions a number of new behavioural instruments. The state will find it difficult to refrain from regulating the industry’s output and behaviour, thereby worsening the current situation. It will certainly not improve relations between KLM and Schiphol.

The privatisation of Schiphol will be discussed after parliament returns from its summer recess. In May 2000 (WRR) and June 2000 (CPB), respectively, recommendations were issued supporting the claim that the industry environment did not require a continuation of state ownership.

At the institutional level, there is now a Commission proposal on access to information, which would lead to a significant reduction of access. Parliament has asked the government to protest against the proposal.

Finally, with respect to environmental protection, some concrete measures may flow from the 1999 Commission Decision formulating an environmental action plan. This may remove some of the Dutch concerns and help shift the state’s attention to other problem areas.

217
The above comments again illustrate the dynamic nature of the air transport industry. In the Netherlands, the industry may well change its face completely in the coming period. New considerations may call for further discussion and research. However, this journey has come to an end.